



COUNCIL MINUTES

April 9, 2009

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on April 9, 2009 at 7:37 a.m.

COUNCIL PRESENT

Mayor Scott Smith
Alex Finter
Dina Higgins
Kyle Jones
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

Mayor Smith excused Councilmember Richins from the beginning of the meeting. He arrived at 7:38 a.m.

1. Hear a presentation, discuss and provide direction on the Neighborhood Stabilization Program.

Neighborhood Services Director Ray Villa said that he and Housing & Revitalization Development Project Coordinator Ray Thimesch were present to provide an update on the Neighborhood Stabilization Program (NSP). He displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) and advised that the City received Federal funds with which to acquire foreclosed or abandoned homes for rehabilitation, resale or redevelopment in order to stabilize and create a more desirable neighborhood as well as stem the decline of housing values in the 85204 ZIP Code area.

Mr. Villa outlined the eligible uses of NSP funds, as listed below:

- Establishment of financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties.
- Purchase and rehabilitation of abandoned and foreclosed homes and residential property.
- Establishment of land banks for foreclosed homes.
- Demolition of blighted structures.
- Redevelopment of demolished or vacant properties.

Mr. Villa advised that the 85204 area has been divided into six sections, two of which would be the focus of the Program based on the following factors:

- Highest concentration of foreclosures.

- Highest number of code violations.
- Highest crime statistics.
- The presence of non-profit and government agencies that are able to provide support to families in need.
- High percentage of school children participating in the free lunch program.

Mr. Villa listed the various governmental and non-profit agencies that provide services in the target area. He explained that the primary focus would be on homes of block construction, which are easier to rehabilitate and which facilitate the incorporation of sustainable features. Mr. Villa listed the agencies that responded to the Request for Proposals (RFP), the recommended NSP fund allocation and the timeline (see Attachment 1). He added that the objective is to have long-term, sustainable ownership of these homes. Mr. Villa advised that certain properties would be purchased and demolished, after which staff would work with a non-profit organization that is capable of constructing a home on the site.

In response to a question from Mayor Smith, Mr. Thimesch explained that under the Program certain foreclosed properties could be purchased and demolished after which a non-profit agency would construct a home on the site. He added that funds could be provided for the demolition of a non-foreclosed home that could be redeveloped by a non-profit agency for a family that meets the income requirements.

Mayor Smith noted that having a non-profit agency, such as Habitat for Humanity, construct the home would lower the costs and enable additional units to be funded.

Mr. Villa reported that Mr. Thimesch has been working with various mortgage companies to negotiate discounts for bulk purchases. He said that as the Program moves forward, staff would make the necessary adjustments to maximize the impact of the Program.

Responding to a question from Councilmember Richins, Mr. Villa advised that the Federal Program allocates ten percent of the funds for administration.

Vice Mayor Jones requested that a statement be included that clearly indicates that the City would not be in the business of constructing homes.

Mayor Smith stated that the City wants to facilitate construction of the homes by other entities in the home building business without the City being involved in the construction process.

In response to a question from Councilmember Kavanaugh, Mr. Villa advised that manufactured housing would not be appropriate in the target neighborhoods.

Councilmember Higgins stated that when the Program was initially discussed by the Council, she did not understand that the City would be purchasing the homes. She said that her understanding was that non-profit agencies would be purchasing the homes.

Mr. Villa explained that very few non-profit agencies have the capacity to successfully operate a program of this size in the required timeframe, and he stated that the Program funds are required to be allocated by September 18, 2010.

Responding to a question from Councilmember Finter, Mr. Thimesch stated that the non-profit agencies would own the property with a deed restriction or a type of lien on the property to ensure that the property is operated according to the Program guidelines.

Councilmember Richins requested that John Smith, Executive Director of Housing our Communities, come forward to address the Council.

Mr. Smith advised that his organization is limiting their participation in the NSP Program to the City of Mesa and the City of Avondale. He said that because their organization is based in Mesa, their primary focus with regard to the Program is the City of Mesa, and he added that they have the capacity to handle the requirements of the Program. Mr. Smith added that the biggest challenge is to find individuals who are qualified to be home buyers. He noted that in 21 years of operation, only two of their homes have gone into foreclosure.

Mayor Smith stated that the consensus of the Council was to move forward with the Program, and he reiterated the Council's direction that the City would not be in the home building business. He thanked staff for the presentation.

2. Hear a presentation, discuss and provide direction on budget-related issues, including, but not limited to:

a. Energy Resources

Energy Resources Director Frank McRae introduced Deputy Energy Resources Director Mike Comstock and Executive Management Assistant Melissa Jones. He noted that the City of Mesa has been in the natural gas and electric business for 97 years, and he stated that the Energy Resources Department continues to be focused on providing safe, reliable, affordable and cost-effective utility services. He displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide an overview of the integration and merger of operations that created the department. Mr. McRae reported that the City has made substantial progress in reducing their rates to be comparable to the rates of the Salt River Project (SRP). He advised that the electric utility serves 16,400 customers who are located primarily in Council Districts 1 and 4.

Mr. McRae noted that electric revenues for the Fiscal Year 2008/2009 were \$42,000 less than projected and expenditures were \$3.5 million less than projected due to reduced consumption by customers.

In response to a question from Vice Mayor Jones, Mr. McRae outlined the current status of gas and electric contracts. He noted that a planning process is in place to address contract needs, and he advised that in addition to issuing competitive solicitations, the City is considering participating in joint generation projects with SRP and other utilities.

Responding to a question from Councilmember Kavanaugh regarding the required fund balance and the possibility that a portion of the fund balance could be utilized to address needs in the Human Services area, Mr. McRae said he would defer that question to Budget and Finance personnel.

Councilmember Kavanaugh stated that having served on the Financing the Future Committee, he recognized the importance of maintaining an adequate Utility fund balance so that funds are available for repairs and replacements.

Budget Director Chuck Odom advised that the Utilities Division has been divided into independent operating units and that the transfer to the General Fund has been frozen at the current level.

City Manager Christopher Brady said that staff is attempting to maintain all fund balances in the eight to ten percent range. He suggested that a Council decision to increase the Utility transfer to the General Fund be identified as a specific dollar amount. He explained that staff would prefer to implement a consistent, across-the-board transfer of funds from each operating unit.

Mr. McRae noted that the electric utility, which serves a small customer base of approximately 16,000 customers, provides considerable support to the General Fund. He said that although the City's rates for residential customers are very close to those of SRP, there is a considerable rate difference for commercial customers, many of which are City of Mesa facilities. Mr. McRae advised that a rate study is planned later in the year to address these issues.

Councilmember Kavanaugh commented that the area served by the electric utility is also the area where there is a greater need for human services.

Mayor Smith noted that although many aspects of utility service have been addressed in the past few minutes, each should be considered with regard to the City's priorities and policies. He noted that the issues are interrelated, and he said that rate parity is an objective. Mayor Smith stated the opinion that the discussions should focus on rates that provide a perception of fairness. He suggested that the Council acts as a Board of Directors for a utility by establishing policy.

Mr. McRae continued his presentation by reviewing the 2009/2010 Electric budget (see Attachment 2). He said that there are no major changes to the budget, but the numbers reflect a reduction of approximately 800 customers due to economic conditions. He stated that although no rate increases are anticipated, there may be an EECAF (Electric Energy Cost Adjustment Factor) adjustment.

Mr. Comstock reviewed the natural gas system and advised that the City of Mesa serves 56,000 customers in 90 square miles within the Mesa City limits and in 236 square miles of Pinal County. He reviewed some of the major accomplishments during the past year, including a baseline assessment of the gas system, a pipeline safety audit and testing of the next generation of a natural gas pipe.

Mr. McRae provided an overview of gas revenues and advised that revenues were lower than the amount budgeted because costs were lower. He reported that the General Fund transfer is forecasted to be \$8.4 million with an ending fund balance of \$4.0 million. Mr. McRae reported that revenues are projected to be \$44,869,000 and that a three percent rate increase included in the 2009/2010 budget would generate \$656,000 in additional revenue. He referred to the 2009/2010 baseline allocations and expenses (see Attachment 3) and noted that commodities account for a substantial portion of the budget. Mr. McRae reviewed the key issues affecting the Energy Resources Department (see Attachment 4).

Councilmember Finter requested that the Council schedule a future in-depth discussion regarding the Magma service area.

Mr. McRae advised that a thorough assessment of the Magma operations was completed in 2005, and he offered to provide updated information to the Council. He also acknowledged the efforts of Vice Mayor Jones, who has served as a strong advocate for the City regarding these issues.

Mayor Smith announced that the Council would take a short break at 8:47 a.m. He reconvened the Study Session at 8:56 a.m.

b. Parks, Recreation and Commercial Facilities (ongoing projects and budget adjustments)

Director of Parks, Recreation and Commercial Facilities Rhett Evans advised that the department's current year budget was reduced by approximately \$4.3 million and that the budget for the coming year would be reduced by \$4.8 million. He displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) and said that he would report on budget-driven initiatives and innovations. Mr. Evans acknowledged the efforts of committed staff members and devoted citizens who have stepped forward to provide assistance during these difficult economic times.

Mr. Evans reported that the City has entered into an agreement with KaBOOM, a national nonprofit organization, and the Home Depot Foundation have for the construction of two parks in Mesa. He said that Home Depot employees along with neighborhood volunteers will address the Park of the Canals on May 28th and Beverly Park on June 3rd with approximately 400 volunteers expected at each site. Mr. Evans noted that the grant funding for construction requires a \$10,000 cash contribution for each site. He advised that Mesa resident Bert Millett has successfully led the campaign for the Park of the Canals, and he added that the West Mesa Community Development Corporation is conducting a fundraising campaign for Beverly Park and expects to raise the required \$10,000 cash contribution. He reported that KaBOOM afforded residents, including children, the opportunity to provide input regarding the types of amenities that would be included in the parks, and he added that the community will participate in maintaining the parks after the projects are completed.

Mr. Evans noted that the City's business model for pools is transitioning from small pools to fewer and larger regional pools that have more amenities. He stated that the Carson Pool is in place and that the grand opening of the Kino Pool is scheduled for May 15, 2009. He added that September of 2009 is the tentative grand opening date for the Rhodes Pool and October of 2010 for the Skyline Pool. Mr. Evans added that detailed information on the status of the pools is scheduled for a Council presentation in May.

Mr. Evans reported that budget reductions resulted in consolidation of Summer Recreation Programs in recreation centers and a few school sites in underserved areas. He advised that the programs moved from a four-day duration to five days and that camps, although more limited than in prior years, are offered Monday through Friday. Mr. Evans said that fee assistance is no longer available, but the costs remain affordable. He noted that many organizations have stepped forward with contributions, and he reported that the Arizona Builders Alliance, along with several individuals, contributed over \$260,000 in materials in

addition to their time to improve the Broadway Recreation Center. Mr. Evans added that at a public meeting regarding cuts to the adaptive programs, a parent came forward and wrote a check to cover the cost of the kayaking program to ensure that his child could participate.

Mr. Evans advised that program registration is being transitioned to an online process in an effort to reduce costs and the "Time Out" brochure will be available on line. He said that online adult sports registration, which served as the pilot program for this process, proved to be very successful.

Addressing the 2009 Spring Training season, Mr. Evans reported that the Cubs led the Cactus League in attendance with 203,105, which represented \$3.7 million in ticket sales. He said that staff made a concerted effort to improve the bottom line, and he noted that staff was innovative in adding seats to the stadium. Mr. Evans noted that the average game attendance was 10,690, but the highest attendance for a single game was 13,327 fans. He reported that concession revenues increased from \$17.70 to \$18.83 per attendee.

Mr. Evans stated that eliminating 57 staff members and reducing the budget by \$7 million in operating expenses and \$2 million in capital dollars has been very difficult.

Councilmember Richins commended Mr. Evans and his staff for the manner in which the budget reductions have been addressed, and he acknowledged their innovation and creativity in forming new partnerships with the community. He thanked them for their efforts.

Mayor Smith thanked Mr. Evans for the presentation.

3. Hear a presentation, discuss and provide direction on the City's participation in the National League of Cities Prescription Discount Card Program.

Assistant to the City Manager Natalie Lewis addressed the Council regarding the National League of Cities (NLC) Prescription Discount Card Program, and she thanked Councilmembers Kavanaugh and Somers for bringing the Program to staff's attention. She advised that the cards are supplied by the NLC at no cost to the City for distribution to residents. Ms. Lewis explained that the card provides a discount of up to a twenty percent on prescriptions not covered by insurance. She added that over 100 Mesa pharmacies, including the national chains, are participating in the program.

Ms. Lewis advised that there is no fee to the user for participating in the Program, and she explained that there are no restrictions relative to age or income. She said that the cards would be available at City libraries and community centers, in addition to providing them to the City's Human Services staff for distribution to clients. Ms. Lewis reported that based on discussions with other cities participating in the Program, the City should communicate with local pharmacies to make them aware of the fact that the cards are being distributed in the community. She stated that the City would utilize resources such as Mesa Channel 11 and the utility bill inserts to advertise the Program.

In response to a comment from Councilmember Somers, Ms. Lewis confirmed that pet medications that are identical to those prescribed for humans may be covered by the twenty percent discount.

Councilmember Somers suggested that participating pharmacies be listed on the City's website, and he noted that the Fire Department's Connector Program would be an effective tool for distribution of the cards.

Mayor Smith said that the consensus of the Council is to direct staff to move forward with the Program, and he thanked Ms. Lewis for the presentation.

4. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Saturday, April 11, 2009, 8:00 a.m. – District 4 Pancake Breakfast & Food Drive

Thursday, April 16, 2009, 7:30 a.m. – Study Session (Cancelled)

Thursday, April 16, 2009, 8:00 a.m. – East Valley Partnership Breakfast with U.S.
Congressional Representatives Flake & Mitchell

Saturday, April 18, 2009, 8:00 a.m. – Hazardous Waste Event

Monday, April 20, 2009, TBA – Study Session

Monday, April 20, 2009, 5:45 p.m. – Regular Council Meeting

6. Prescheduled public opinion appearances.

a. Hear from Ed Arroyo regarding rental car concession fees for Falcon Field Airport.

Ed Arroyo, the Phoenix Southeast Area Manager for Hertz Rent'-A-Car, expressed concern regarding a ten percent transaction fee that is proposed for the Falcon Field Airport. He explained that approximately 80 percent of their business serves the insurance replacement market and has nothing to do with the airport. Mr. Arroyo added that the additional fee charged on these transactions would provide the off-site car rental firms with a competitive advantage to serve the insurance market.

Mayor Smith said that based on his personal experience as a pilot, the presence of a rental car firm on site is valuable to the airport.

City Manager Christopher Brady said that staff would meet with Mr. Arroyo to discuss options that are available.

7. Items from citizens present.

There were no items from citizens present.

8. Adjournment.

Without objection, the Study Session adjourned at 9:31 a.m. and the Council convened an Executive Session.

9. Convene an Executive Session.

It was moved by Vice Mayor Jones, seconded by Councilmember Somers, that the Council convene an Executive Session.

Carried unanimously.

- a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A. R. S. §38-431.03A(4))
 1. Meet and Confer Process
 2. Arizona Water Company vs. City of Mesa

Without objection, the Executive Session adjourned at 10:10 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 9th day of April, 2009. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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Attachments (4)